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TAGS: [PGOV](#) [PREL](#) [ECON](#) [MOPS](#) [PTER](#) [IZ](#) [LE](#) [SY](#) [IT](#)  
SUBJECT: ITALY: THE DOGS BARK, AND THE PRODI CARAVAN MOVES  
ON

REF: A. ROME 1879  
[1](#)B. ROME 1916  
[1](#)C. ROME 2191  
[1](#)D. ROME 2288  
[1](#)E. ROME 2279  
[1](#)F. ROME 2335  
[1](#)G. ROME 2302

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Classified By: by Ambassador Ronald P. Spogli for reasons 1.4 (b) and (d).

#### SUMMARY

[1](#)1. (S/NF) The main lesson for the US in PM Romano Prodi's first 100 days is that early and active engagement with this center-left government pays. The Italian reversal of position and decision to quietly maintain a civilian presence in Iraq despite military withdrawal reflected a deliberate calculation to respond positively to a specific USG request. The decision to play a major role in Lebanon reflected Italian willingness to lead EU colleagues under a UN umbrella in an area seen as Italy's backyard. But, crucially, it also reflected a policy decision carefully predicated on, and calibrated to, US support. On both Afghanistan and economic liberalization, the PM and FM Massimo D'Alema -- the government's political strong man -- worked in tandem to ensure policy outcomes that were more center than left.

[1](#)2. (S/NF) Looking ahead, casualties in Lebanon could yet jeopardize the government, and Prodi has sought our help in keeping the center-right on board. Significant internal differences have forced him to use confidence votes seven times to maintain coalition discipline, and he faces a bruising budget battle in the fall. But the center-right opposition remains frayed, and needs time to rebuild. So Prodi's government may have longer legs than many initially predicted. We will doubtless continue to hear barking from the far left on defense cooperation and other issues, but so far, the Prodi caravan moves on, united by the desire to stay in power. Meanwhile, high-level contacts, and especially the growing relationship between the Secretary and FM D'Alema, have been the engine for a sound, and improving, bilateral relationship. We should look for opportunities to continue that engagement as Italy prepares to take up a UNSC seat in January. End Summary.

#### PASSING THE 100-DAY MARK

[1](#)3. (C/NF) PM Romano Prodi's center-left government completed

its first 100 days during Italy's August holidays. Though continually challenged by its nine-party coalition covering the far corners of both the "center" and the "left," the Prodi government has shown durability. The first 30-days were chaotic (REF A), as ministers from each of the coalition's nine partners struggled for press space with contradictory statements. Later, the radical left dissented strongly over funding Italy's mission to Afghanistan (REF B) and a myriad of other domestic issues. The government, nevertheless, proposed bold immigration reforms (REF C) and already pushed through significant economic (REF D) reforms.

¶4. (C/NF) The Prodi government has been able to pass needed legislation by resorting to "confidence votes" that enforce discipline on controversial issues within the coalition. After criticism from all sides, Prodi is seeking ways to expand the coalition's two-seat margin in the Senate and avoid resorting to confidence votes as a routine measure. Whether HE can pull this off remains unclear.

#### BUDGET WILL BE BIGGEST CHALLENGE

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¶5. (C/NF) Prodi's biggest challenge this fall will be enacting the 2007 budget by the end of December. The supplemental 2006 budget passed in late July failed to tackle the really difficult issues (REF E). The EU Commission is insisting that, this time, Italy must bring its 2007 budget deficit as a percentage of GDP to below the agreed-upon three-percent ceiling. In the absence of substantially increased economic growth (not likely), the deficit will yawn much wider than that. Since Italy has all but ignored this continuing EU requirement until now, the most controversial spending cuts and revenue enhancement decisions loom large over the fall 2007 budget battle.

¶6. (C/NF) After three election defeats (national, regional

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and the constitutional referendum), the center-right opposition has emerged disunited. Berlusconi's Forza Italia (FI) and Umberto Bossi's Northern League (Lega) seem as close as ever, but Gianfranco Fini's National Alliance (AN) and, especially, Pier Ferdinando Casini's centrist Union of Christian Democrats of the Center (UDC) appear to be considering alternative paths forward. While Berlusconi remains focused on bringing down the Prodi government, many analysts surmise that Casini has decided it is not in his interest to see Prodi fail just yet. This dynamic argues for continued engagement on our side (both at the Embassy and in Washington) with the center-right, as well. Given weaknesses in Prodi's coalition, he eventually might need help from the center-right on issues important to our national interest.

#### RAISING THE PROFILE ON FOREIGN POLICY

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¶7. (C/NF) Early assertions that Italy would take its "rightful place" as a second-tier power behind its EU colleagues on foreign policy have given way to a surprising initiative by Prodi and D'Alema to lead during the Lebanon crisis (REF F). D'Alema is now touting the Lebanon/multilateralism/EU engagement as a preferred alternative to unilateralism (read: Iraq). Before Lebanon, policy initiatives -- e.g. on Afghanistan and economic liberalization -- were floated, then watered down following attacks by the radical left. While a noisy and disorderly process, key government leaders managed to maintain basic policy coherence on both Iraq and Afghanistan. This was partly a function of early and strong engagement by Washington, and it was partly a strong sense, by PM Prodi and FM D'Alema about the importance of keeping international commitments, e.g. to NATO in Afghanistan. Buoyed by the example of Lebanon, we can also expect Italy to look for a higher profile on Iran, Syria and next steps on the Middle East peace process.

¶8. (C/NF) Lebanon/Syria. At our request, D'Alema hosted the International Conference for Lebanon in Rome and has offered as many as 3,000 troops and possible leadership of UNIFIL II.

Italy is providing 500 tons of emergency humanitarian aid, has pledged to rebuild the high-elevation Italian-built bridge on the Beirut-Damascus highway, and is sending a six-man team to support cleanup of the oil spill off the coast. Believing it is critical to the success of the Lebanon mission, D'Alema has sought our support in engaging both Damascus and Teheran on the way forward. Domestically, Prodi will come under strong political pressure if Italian troops suffer significant casualties or the mission stagnates. Pacifist/communist elements within Prodi's coalition will bristle if Italian troops are forced to take aggressive action or are seen to be too pro-Israel, and the Center-Right will pounce on outreach to Iran/Syria if they believe it will increase terrorism or threaten Italian forces on missions abroad.

¶9. (S/NF) Iraq. The government will fulfill its campaign pledge to withdraw completely all of Italy's troops in Iraq before the end of the year (essentially keeping to the Berlusconi timetable). But, as requested by the Secretary, it will quietly continue to lead a civilian "Unit for Reconstruction Support" in Dhi Qar province (essentially a PRT) and has doubled its aid to Iraq for the second half of ¶2006. The government has continued to denounce the original decision to go to war in Iraq and has all but hidden its PRT decision from the public--and from its radical left coalition partners. Bottom line: Italy remains politically committed and engaged in Iraq, in support of the Iraqi government, democratization, and reconstruction; it also remains the leading contributor to the NATO Training Mission in Iraq (NTM-I).

¶10. (C/NF) Afghanistan. Despite stubborn opposition from a small group of radical left coalition members, the government confirmed Afghanistan as a long-term Italian foreign policy priority and an important NATO commitment. While keeping its military forces at current levels, Italy privately pledged to beef up border control/customs training in Herat, undertake more police training, increase efforts in justice sector reform, and contribute to one of the Trust Funds. The Afghanistan mission remains under pressure as some members of Prodi's coalition have asserted that Italy's participation should be canceled for financial reasons given the new and expensive responsibilities taken on in Lebanon.

¶11. (C/NF) Iran. Prodi and D'Alema remain firm in their opposition to Iran's nuclear enrichment program (REF G). But

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Italy is Iran's second-largest trading partner in Europe, and sanctions will hurt an already weak Italian economy. D'Alema continues to press hard for inclusion in deliberations on managing the Iranian nuclear issue.

#### LAW ENFORCEMENT/COUNTER-TERRORISM

¶12. (S/NF) At the political level, the Prodi government is fully committed to maintaining our strong anti-terrorism cooperation. Justice Minister Mastella has so far kept the lid on recurring judicial demands to extradite presumed CIA officers allegedly involved in a rendition of Muslim cleric Abu Omar, and Prodi declined to release any details about potential Italian knowledge or involvement in the case citing the imperative to protect classified national security information. However, media fallout from the Abu Omar case is having a chilling effect on our traditionally close and fruitful working relationships with both the external (SISMI) and internal (SISDE) intelligence services, a trend begun during the Berlusconi administration when the story first broke. Italian intelligence agencies now are much more cautious about working with us. The case also has fueled a

domestic debate about reforming the Italian intelligence community and defining the role of Italian intelligence services in the fight against terrorism.

#### MILITARY COOPERATION

¶13. (C/NF) With regard to U.S. military presence on Italian bases, Prodi's government has sought to continue Italy's tradition of cooperation while dealing cautiously with actual and possible objections from the radical left. Prodi, for example, has said his government would reconsider some projects, focusing in particular on questions of environmental impact. MOD sources explained that Prodi's remarks were part of a government initiative to build center-left consensus on basing issues. Despite Prodi's efforts, the radical left could complicate GOI ability to accommodate some of our requests in this area.

#### COMMENT

¶14. (C/NF) Though plagued by the inconsistencies inherent in a broad coalition, at the 100-day mark, the Prodi government seems to have found its legs, however wobbly. On foreign policy, Prodi and D'Alema have cobbled together positive results on Iraq, Afghanistan and now Lebanon, where they displayed competent and even determined leadership. The internal process has often been chaotic, and not without gratuitous anti-U.S. rhetoric from some parties in the coalition, but Prodi and D'Alema themselves have both responded positively to pre- and post-election engagement by the U.S. That contact should continue. But even with that engagement, we should recognize that Prodi and D'Alema lead a coalition bound together by a common desire to stay in power, not a common vision. And that means that the dogs will continue to bark even as the caravan moves on. END COMMENT.

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